

COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
DIVISION II

NO. Misc # 31

ENTERED
FEB 06 2012
FRANKLIN CIRCUIT COURT
SALLY JUMP, CLERK

IN THE MATTER OF
NCO FINANCIAL SYSTEMS, INC.

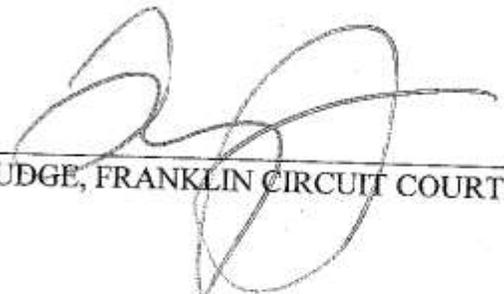
ASSURANCE OF VOLUNTARY COMPLIANCE

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Pursuant to KRS 367.230, the Assurance of Voluntary Compliance attached hereto is provided to the Commonwealth of Kentucky, ex. rel. Jack Conway, Attorney General, by NCO Financial Systems, Inc.

WHEREFORE, the requirements of KRS 367.230 having been met, and the Court being well and sufficiently advised in the premises, and the Court having jurisdiction and venue pursuant to KRS 367.230, the Assurance of Voluntary Compliance attached hereto is hereby approved.

DATE: 2/6/2012



JUDGE, FRANKLIN CIRCUIT COURT

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PREAMBLE

This Assurance of Voluntary Compliance (hereinafter referred to as "Assurance") is entered into between the Attorneys General of the States and Commonwealths of Alaska, Arkansas, Idaho, Illinois, Iowa, Kentucky, Louisiana, Michigan, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, Vermont, and Wisconsin (referred to collectively as the "Multi-State Working Group" or the "Participating States"), acting on behalf of their respective states, and pursuant to their respective Consumer protection and/or debt collection statutes¹, and NCO Financial Systems, Inc., a Pennsylvania corporation that engages in business in each of the Participating States.

¹ Alaska, Unfair Trade Practices and Consumer Protection Act, AS 45.50.471 et seq.; Arkansas, Ark. Code Ann. §4-88-101 et seq.; Idaho, Idaho Consumer Protection Act, Idaho Code section 48-601 et seq.; Illinois, Illinois Collection Agency Act, 225 ILCS 425/1 et seq. and the Illinois Consumer Fraud & Deceptive Business Practices Act, 815 ILCS 505/1 et seq.; Iowa, Iowa Consumer Fraud Act: Iowa Code section 714.16 and Iowa Debt Collection Practices Act: Iowa Code sections 537.7101 – 537.7103; Kentucky, Kentucky Consumer Protection Act, KRS 367.110 et seq.; Louisiana, Unfair Trade Practices and Consumer Protection Law, LSA-R.S. 51:1401 et seq.; Michigan, Regulation of Collection Practices Act, MCL 445.251, et seq.; Nebraska, NE Consumer Protection Act, NRS. §§59-1601 et seq. and NE Uniform Deceptive Trade Practices Act, NRS. §§87-301 et seq.; Nevada, Nevada Deceptive Trade Practices Act, NRS 598.0903 et. seq.; New Mexico, New Mexico Unfair Practices Act, NMSA 1978, Sec. 57-12-1 et seq. (1967); North Carolina, North Carolina Collection Agency Act, N.C. Gen. Stat. § 58-70-1, et seq., and the North Carolina Unfair Practices Act, N.C. Gen. Stat. § 75-1.1, et seq.; North Dakota, North Dakota Century Code (N.D.C.C.) § 51-15-01 et seq.; and N.D.C.C. ch. 13-05.; Ohio, Ohio Consumer Sales Practices Act, R.C. 1345.01 et seq.; Oregon, Oregon Unlawful Trade Practices Act, Oregon Revised Statute (ORS) 646.605 to

I. GENERAL PROVISIONS

Recognizing that the Commonwealth of Kentucky by and through Attorney General Jack Conway, and NCO Financial Systems, Inc. ("NCOF"), by its counsel, have consented to the entry of this Assurance, agree as follows:

1.1 The Court has jurisdiction over the parties and the subject matter of this Assurance.

1.2 Venue is proper over this Assurance and its enforcement because the alleged violations of the Kentucky Consumer Protection Act, KRS 367.110 et seq., the Fair Debt Collection Practices Act ("FDCPA"), 15 U.S.C. § 1692 et seq., and the Fair Credit Reporting Act ("FCRA"), 15 U.S.C. § 1681 et seq. occurred here in Franklin County, Kentucky.

1.3 Attorney General Jack Conway has authority under KRS 367.110, et seq., particularly KRS 367.230, to bring consumer protection and debt collection actions on behalf of the Commonwealth of Kentucky.

1.4 This Assurance shall be governed by the laws of the Commonwealth of Kentucky.

1.5 This Assurance is entered into by NCOF as a free and voluntary act and with full knowledge and understanding of the nature of the proceedings and the obligations and duties imposed by this Assurance.

1.6 Nothing in this Assurance constitutes any agreement by the Parties concerning the characterization of the amounts paid pursuant to this Assurance for purposes of the Internal Revenue Code or any state tax laws, or the resolution of any other matters.

646.656, including Oregon's Unlawful Collection Practices Act, ORS 646.639.; Rhode Island, R.I. Gen. Laws §6-13.1-1, *et seq.*, commonly referred to as the Rhode Island Deceptive trade Practices Act; R.I. Gen. Laws §19-14.9-1, *et seq.*, commonly referred to as the Rhode Island Fair Debt Collection Act; South Carolina, South Carolina Unfair Trade Practices Act, South Carolina Code Ann. Sections 39-5-10, *et seq.*; Vermont, Vermont Consumer Fraud Act, 9 V.S.A. s 2451, *et seq.* and Vermont's Consumer Fraud Rule 104; Wisconsin, Wis. Stats. § 427.104 and Wis. Adm. Code DFI-Bkgch. ch. 74.

1.7 This Assurance constitutes a complete settlement and release of all claims on behalf of the signatory Attorneys General against NCOF with respect to all civil claims, causes of action, damages, fines, costs or penalties for alleged violations of the States' respective Consumer Protection Acts cited in footnote 1, arising from any acts, policies or practices which were known prior to the Effective Date of this Assurance and which were related to or based upon NCOF's debt collection practices and were addressed as identified in Paragraphs 6.2a-ff of this Assurance.

1.8 The States and NCOF have agreed to the entry of this Assurance without trial of any issue of fact or law. This Assurance is entered into only for the purpose of resolving the issues raised in this Assurance, and does not bind any other officers or agencies of the respective States to this Assurance. This Assurance shall not be construed to nor does it resolve or preclude any other action, civil, criminal, or administrative.

1.9 Nothing contained herein shall be construed to waive any individual right of action by a Consumer or any action by a local, state, federal, or other governmental entity.

1.10 Nothing in this Assurance shall in any way preclude any investigation or enforcement action against NCOF under any legal authority granted to the State for any activities related to NCOF's business practices, as well as transactions not subject to this action.

1.11 NCOF shall not represent directly or indirectly or in any way whatsoever imply that the Court or any Signatory Attorney General has sanctioned, condoned, or approved any part or aspect of NCOF's business practices, current efforts to reform its practices, or any further practices that NCOF may adopt or consider adopting.

II. DEFINITIONS

For purposes of this Assurance, the following words or terms shall have the following meaning:

2.1 “Affiliate” means a business entity that is owned by, operated by, controlled by, or under common control with another business entity.

2.2 “Call Center” means any physical location from which NCOF places or receives Consumer credit Debt Collection phone calls.

2.3 “Collection Center” means any physical location from which NCOF sends or receives Consumer credit Debt correspondence.

2.4 “Communication” means the conveying of information regarding a Debt directly or indirectly to any person through any medium, as that term is defined in the FDCPA, 15 U.S.C. § 1692(a)(2).

2.5 “Consumer” means any natural person obligated or allegedly obligated to pay any Debt, as that term is defined in the FDCPA, 15 U.S.C. § 1692(a)(3).

2.6 “Creditor” means any person who offers or extends credit creating a Debt or to whom a Debt is owed, but such term does not include any person to the extent that he receives an assignment or transfer of a Debt in default solely for the purpose of facilitating collection of such Debt for another, as that term is defined in the FDCPA, 15 U.S.C. § 1692(a)(4).

2.7 “Debt” means any obligation or alleged obligation of a Consumer to pay money arising out of a transaction in which the money, property, insurance or services which are the subject of the transaction are primarily for personal, family or household purposes, whether or not such obligation has been reduced to judgment, as that term is defined in the FDCPA, 15 U.S.C. § 1692(a)(5).

2.8 “Debt Collector” means any person who uses any instrumentality of interstate commerce or the mails in any business the principal purpose of which is the collection of any Debts, as defined by 15 U.S.C. § 1692(a)(5), or who regularly collects or attempts to collect, directly or indirectly, Debts owed or due or asserted to be owed or due another, as that term is defined in the FDCPA, 15 U.S.C. §§ 1692(a)(6)(A) – (F), and/or as that term is defined under applicable state law.

2.9 “Debt Collection” means any activity the principal purpose of which is to collect, or attempt to collect, directly or indirectly, Debts owed, or asserted to be owed, or due, regardless of whether collection of the Debt is governed by the FDCPA, to the extent that any individual state Attorney General has jurisdiction over non-Consumer Debt Collection activities.

2.10 “Effective Date” shall mean the latest date by which all Parties have executed the Assurance or the date on which the Assurance is filed.

2.11 “Furnisher of Credit Information” to “consumer reporting agencies” means a person who furnishes information to consumer reporting agencies relating to Consumers, as those terms are defined or used in the FCRA, 15 U.S.C. §§ 1681-1681(x).

2.12 “Location information” means a Consumer’s place of abode and the Consumer’s telephone number at such place or at the Consumer’s place of employment, as that term is defined in the FDCPA, 15 U.S.C. § 1692(a)(7).

2.13 "Multi-State Executive Committee" shall refer to a committee comprising representatives from the States of Illinois, Louisiana, Nevada, New Mexico, and Ohio.

2.14 "Multi-State Working Group" or "Participating States" shall refer to the States and Commonwealths of Alaska, Arkansas, Idaho, Illinois, Iowa, Kentucky, Louisiana, Michigan,

Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, Vermont, and Wisconsin collectively.

2.15 “NCOF” shall mean NCO Financial Systems, Inc., doing business under its own name, or under any other business names, including its officers, directors, agents, representatives, salespersons, employees, instructors, affiliates, successors, and assigns, and all persons acting in concert or participation with NCOF, directly or indirectly, whether acting individually, or acting on behalf of NCOF or at its direction, through any corporate device, partnership or association through which they may now or hereafter act or conduct business.

- a. “NCOF” shall not mean an “Independent Contractor” who is a person or entity who provides services and who, in the provision of such services, is free from direction and control over the means and manner of providing the services, subject only to the right of NCOF to specify the desired result. Independent contractor status cannot be a subterfuge to avoid employee status, including an apparent agency relationship.
- b. “NCOF” shall not mean JP Morgan Chase.

2.16 “Ohio Assurance” shall refer to the Ohio Assurance of Voluntary Compliance entered into between the State of Ohio Office of the Attorney General and NCOF.

2.17 “Parties” to this Assurance shall mean Commonwealth of Kentucky and NCO Financial Systems, Inc. as defined in Paragraph 2.15 above.

2.18 “Representative” means an employee of NCOF and/or any and all other persons, corporations, partnerships, or other entities that NCOF has the power or right to control and direct in the material details and means of how their work is to be performed.

2.19 “Supplier” means a seller, lessor, assignor, franchisor, or other person engaged in the business of effecting or soliciting Consumer transactions, whether or not the person deals directly with the Consumer.

2.20 “Time-barred” Debt means any Debt that is beyond the applicable statute of limitations.

III. REPRESENTATIONS AND WARRANTIES

3.1 NCOF warrants and represents that it and its predecessors are engaged in trade and commerce within the Participating States by, among other things, the operation of a Debt Collection business, as a Debt Collector, as that term is defined in the FDCPA, 15 U.S.C. § 1692(a)(6)..

3.2 NCOF warrants and represents that it and its predecessors are “Furnishers of Credit Information” to consumer reporting agencies as that term is defined in Section II of this Assurance and in the FCRA, 15 U.S.C. §§ 1681-1681(x).

3.3. NCOF warrants and represents that it and its predecessors are “Suppliers” as that terms is defined in Section II of this Assurance.

3.4 NCOF and the Participating States warrant and represent that they negotiated the terms of this Assurance in good faith.

IV. BACKGROUND AND STATEMENT OF FACTS

4.1 NCO Group, Inc. is the ultimate corporate parent of NCOF.

4.2 NCOF is a Pennsylvania corporation that engages in business in each of the Participating States, of which its principal place of business is 507 Prudential Road, Horsham, Pennsylvania, 19044.

4.3 NCOF is, and has been at all times relevant to this action, engaged in providing Debt Collection services by regularly collecting, or attempting to collect, Debts that were due or alleged to be due from Consumers.

4.4 NCOF has been assigned Debts for collection from various Creditors or entities for the purpose of attempting to collect those Debts from Consumers.

4.5 NCOF has attempted to collect on alleged Debts through collection letters sent to Consumers from NCOF's collection centers.

4.6 NCOF has attempted to collect on alleged Debts through telephone calls made by NCOF's Debt Collector employees from NCOF's Call Centers.

V. ALLEGATIONS

The Participating States allege that NCOF has engaged in conduct in violation of the Kentucky Consumer Protection Act, KRS 367.110 et seq., the FDCPA, 15 U.S.C. § 1692 et seq., and the FCRA, 15 U.S.C. § 1681 et seq., including, but not limited to, the following: (1) engaging in or using unfair or deceptive Debt Collection acts and/or practices in violation of the Kentucky Consumer Protection Act, KRS 367.110 et seq., and/or in violation of the FDCPA at 15 U.S.C. §§ 1692b(2), 1692b(3), 1692c(a)(1), 1692c(a)(2), 1692c(a)(3), 1692c(c), 1692d, 1692d(2), 1692d(5), 1692d(6), 1692g(a) and 1692g(b); (2) engaging in or using false, deceptive, or misleading representations or means in connection with the collection of Debts in violation of the Kentucky Consumer Protection Act, KRS 367.110 et seq., and/or in violation of the FDCPA at 15 U.S.C. §§ 1692e, 1692e(2)(A)(B), 1692e(4), 1692e(5), and 1692e(10); (3) engaging in or using unfair means to collect or attempt to collect Debts in violation of the Kentucky Consumer Protection Act, KRS 367.110 et seq., and/or in violation of the FDCPA at 15 U.S.C. §§ 1692f, 1692f(1), and 1692f(6); (4) by furnishing credit information to consumer reporting agencies in

violation of the FCRA at 15 U.S.C. §§ 1681s-2(a)(1)B), 1681s-2(a)(3), and 1681s-2(b); and (5) otherwise violating the Kentucky Consumer Protection Act, KRS 367.110 et seq., the FDCPA, and/or the FCRA.

NCOF denies these allegations.

VI. ASSURANCE

6.1 **Compliance with All Laws.** NCOF shall comply with the Kentucky Consumer Protection Act, KRS 367.110 et seq., the FDCPA, 15 U.S.C. § 1692 et seq., and the FCRA, 15 U.S.C. § 1681 et seq.

- 6.2 **Compliance with Specific Laws.** Through this Assurance, NCOF shall not:
- a. Violate the FDCPA, 15 U.S.C. § 1692 et seq.;
 - b. Violate the FCRA, 15 U.S.C. § 1681 et seq.;
 - c. Communicate that Consumers owe Debts when communicating with any person other than the Consumers for the purposes of acquiring location information, in violation of the FDCPA, 15 U.S.C. § 1692b(2);
 - d. Communicate with persons other than the Consumer more than once, when not requested to do so by such person, and when NCOF does not reasonably believe that the earlier response of such person was erroneous or incomplete and that such person now has correct or complete location information, in violation of the FDCPA, 15 U.S.C. § 1692b(3);
 - e. Communicate with Consumers in connection with the collection of Debts at times or places NCOF knows or should know to be inconvenient to the Consumers, including during inconvenient hours, in violation of the FDCPA, 15 U.S.C. § 1692c(a)(1);

- f. Communicate with Consumers in connection with the collection of Debts, without the prior consent of the Consumers, after knowing that the Consumers were represented by attorneys with respect to the alleged Debts, in violation of the FDCPA, 15 U.S.C. § 1692c(a)(2);
- g. Communicate with Consumers in connection with the collection of Debts at the Consumers' places of employment when NCOF knows or should know that the Consumers' employers prohibit the Consumers from receiving such communications, in violation of the FDCPA, 15 U.S.C. § 1692c(a)(3);
- h. Communicate with Consumers in connection with the collections of Debts, except as otherwise provided by law, after being notified in writing that the Consumers refuse to pay the Debts or that the Consumers wish NCOF to cease further communications with the Consumers, in violation of the FDCPA, 15 U.S.C. § 1692c(c);
- i. Engage in conduct the natural consequence of which was to harass, oppress, or abuse persons in connection with the collection of a Debt, in violation of the FDCPA, 15 U.S.C. § 1692d;
- j. Use obscene or profane language in connection with the collection of Debts, in violation of the FDCPA, 15 U.S.C. § 1692d(2);
- k. Place multiple telephone calls within a short period of time to Consumers for purposes of annoying or harassing Consumers at the called numbers, in violation of the FDCPA, 15 U.S.C. § 1692d(5);

- l. Attempt to collect alleged Debts by telephone without providing the meaningful disclosure of the caller's identity, in violation of the FDCPA, 15 U.S.C. § 1692d(6);
- m. Use false or misleading representations to collect or attempt to collect Debts or to obtain Location Information, in violation of the FDCPA, 15 U.S.C. § 1692e;
- n. Falsely represent the character, amount, or legal status of Debts or services rendered or compensation which may be lawfully received by Debt Collectors for the collection of Debts, in violation of the FDCPA, 15 U.S.C. § 1692e(2)(A)(B);
- o. Represent or imply to Consumers that nonpayment of Debts will result in the arrest or imprisonment of the Consumers, or the seizure, garnishment, attachment, or sale of any of the Consumers' property or wages when there is no legal authority or intention to do so, in violation of the FDCPA, 15 U.S.C. § 1692e(4);
- p. Threaten to take legal actions when there is no legal authority or intention to do so, in violation of the FDCPA, 15 U.S.C. § 1692e(5);
- q. Use any false representation or deceptive means to collect or attempt to collect any Debt or to obtain information concerning a Consumer, in violation of the FDCPA, 15 U.S.C. § 1692e(10);
- r. Use unfair or unconscionable means to collect or attempt to collect Debts, in violation of the FDCPA, 15 U.S.C. § 1692f;

- s. Collect or attempt to collect amounts (including interest, fees, charges, or expenses incidental to the principal obligation) that were not expressly authorized by the agreements creating the Debts or permitted by law, in violation of the FDCPA, 15 U.S.C. § 1692f(1);
- t. Take or threaten to take nonjudicial actions against Consumers' real or personal properties or wages when there is no legal authority or intention to do so, in violation of the FDCPA, 15 U.S.C. § 1692f(6);
- u. Fail to provide written notices to Consumers, within five days after initial telephone contact, that contained the following information: the amount of the Debt; the name of the Creditor; a statement that unless the Consumer disputes the validity of the Debt within thirty days NCOF will assume the Debt is valid; the process by which the Consumer may request verification of a Debt; and a statement that upon the Consumer's written request within thirty days, NCOF would provide the name of the original Creditor, if different from the current Creditor, in violation of the FDCPA, 15 U.S.C. § 1692g(a);
- v. Fail to cease collection activities upon the receipt of written notifications from Consumers of disputes, or requests for the names of the original Creditors or for verification of the Debts alleged to be owed, until the NCOF mails verifications or the debts to the Consumers, in violation of the FDCPA, 15 U.S.C. § 1692g(b);
- w. Attempt to collect on Debts that are not owed by the Consumers contacted by the NCOF;

- x. Fail to remove telephone numbers from collection account records and continue to place telephone calls to those numbers after being informed that the person from whom NCOF sought to collect the Debts cannot be reached at the numbers called;
- y. Communicate with third parties more than once after the third parties provide NCOF with Location Information or indicate that they do not have the Location Information being sought, unless NCOF has a reasonable belief that the earlier response of such person was erroneous or incomplete and that such person now has correct or complete Location Information, pursuant to FDCPA, 15 U.S.C. § 1692b(3);
- z. Except as permitted by law, communicate with or divulge information to third parties, without the prior consent of the Consumers, regarding alleged Debts owed by Consumers in an effort to embarrass or persuade the Consumers to pay the Debts;
- aa. Fail to inform Consumers, upon receiving oral requests for verification of Debts, that requests to verify Debts must be made in writing, or failing or refusing to provide Consumers with the address to where the written requests must be mailed, or both;
- bb. Collect or attempt to collect on settled Debts.
- cc. Fail to honor or confirm settlement agreements in writing with Consumers and continue to attempt to collect additional amounts or the full amount of the Debts allegedly owed;

- dd. Withdraw money from Consumers' bank accounts, on dates or in dollar amounts, not authorized by Consumers;
- ee. Collect or attempt to collect on Debts that have been discharged in bankruptcy.
- ff. Collect or attempt to collect on Debts when the Consumer has notified NCOF that they are the victim of identity theft, until NCOF takes the appropriate steps under applicable state law to determine that the Consumer is responsible for the specific Debt in question.

6.3 **General Compliance:** As detailed in ¶¶ 7.1 and 7.2 herein, within thirty calendar days of the Effective Date of this Assurance, NCOF shall::

- a. Train employees to answer all questions on first contact with the Consumer in a respectful manner;
- b. Send written communication within five calendar days of the first telephone contact with a Consumer and include the amount of the Debt, the name and contact information of the Creditor, notice that the Consumer has thirty calendar days to dispute the Debt, how to dispute the Debt, and how to request validation of the Debt;
- c. In connection with all Debt Collection notices where an oral or written request is made by the Consumer to do so, itemize all amounts owed or provide a "break-out" of the total amount owed as made available by NCOF's client. If NCOF is unable to itemize the amounts owed or cannot obtain that information from NCOF's Debt Collection client, NCOF will

consider the account disputed, will close the account, and will cease any and all Debt Collection efforts related to that account;

- d. Maintain confidentiality of all financial information, including, but not limited to, truncating social security and credit card numbers, in compliance with the Kentucky Consumer Protection Act, KRS 367.110 et seq. or other applicable state, federal and local law regarding maintenance of the confidentiality of all financial information;
- e. Attempt collection against any spouses of deceased debtors only if NCOF first validates the Debt, obtains and possesses information supporting a good faith claim that the surviving spouse is legally obligated on the Debt and provides this information to the surviving spouse¹;
- f. Maintain collectors' activity logs with detailed information and/or codes for deciphering abbreviations, including, but not limited to:
 - (1) The exact number called;
 - (2) The exact name of the debtor trying to be reached;
 - (3) The duration of the call, noting the time the call began;
 - (4) Whether a message was left and with whom;
 - (5) When possible, the exact name of the person with whom the Debt Collector spoke;
 - (6) A summary of what was said (a) in the first contact message, (b) in any subsequent messages, and (c) in any offers to settle the Debt;

¹ This provision shall be subject to the final rules promulgated by the Federal Trade Commission ("FTC") clarifying how to collect decedents' debts.

- (7) If a settlement was offered, the terms of the settlement, including the total amount to be paid and the payment schedule;
 - (8) The reason for communicating with a third-party in connection with a collection attempt; and
- g. In connection with NCOF's business activities in collecting or attempting to collect on Debts, NCOF must, prior to withdrawing funds from Consumers' bank accounts, whether by automatic debit, simulated check or otherwise, obtain the following information from the Consumer:
- (1) The name and address of the Consumer;
 - (2) The account number from which funds will be withdrawn;
 - (3) The routing number of the account from which funds will be withdrawn;
 - (4) The check number or numbers (if applicable);
 - (5) The exact dollar amount of the funds to be withdrawn in each installment (if applicable);
 - (6) The exact date or dates the funds will be withdrawn;
 - (7) Express authorization for the funds to be withdrawn from the account.

If funds are to be withdrawn from a Consumer's account in installments, the information in items (1) through (7) above shall additionally be sent to the Consumer in writing at least three but not more than ten calendar days prior to each installment payment being withdrawn from the account in accordance with the FDCPA.

- h. As detailed in ¶¶ 7.1 and 7.2 herein, confirm all settlement agreements by mailing written documents to Consumers within seven calendar days of the agreement that include:

- (1) Total amount owed;
- (2) Itemization of all fees as made available by NCOF's Debt Collection client, if requested by the Consumer, either orally or in writing. If NCOF is unable to itemize the fees and amounts owed or cannot obtain that information from NCOF's client, NCOF will consider the account disputed, will close the account, and will cease any and all Debt Collection efforts related to that account. Further, the settlement agreement between NCOF and the Consumer will be considered null and void as it pertains to the now-disputed account and the Consumer will no longer be held to the terms of such agreement;
- (3) Itemization of the interest charged on the account as made available by NCOF's Debt Collection client, if requested by the Consumer, either orally or in writing. If NCOF is unable to itemize the interest charged or cannot obtain that information from NCOF's client, NCOF will consider the account disputed, will close the account, and will cease any and all Debt Collection efforts related to that account. Further, the settlement agreement between NCOF and the Consumer will be considered null and void as it pertains to the now-disputed account and the Consumer will no longer be held to the terms of such agreement;
- (4) Itemization of the principal balance owed on the account as made available by NCOF's Debt Collection client, if requested by

the Consumer, either orally or in writing. If NCOF is unable to itemize the principal balance owed or cannot obtain that information from NCOF's client, NCOF will consider the account disputed, will close the account, and will cease any and all Debt Collection efforts related to that account. Further, the settlement agreement between NCOF and the Consumer will be considered null and void as it pertains to the now-disputed account and the Consumer will no longer be held to the terms of such agreement;

- (5) Date Debt incurred;
 - (6) Approval of Creditor (holder of the account);
 - (7) Agreement to update status of debt if previously reported by NCOF to a credit reporting agency;
 - (8) Agreement to provide written confirmation to validate when the settlement amount is paid in full;
- i. NCOF will direct its affiliate, NCO Portfolio Management, Inc., and related Debt buying companies to not sell or provide a Debt to any other entity, other than the client from which it was obtained, if an investigation reveals that the Debt cannot be substantiated as complete and accurate or that the Debt has been paid or that the Consumer was victim of identity theft.
 - j. Cease collecting or attempting to collect Debts when the Consumer has notified NCOF that the Consumer is the victim of identity theft until

NCOF takes the appropriate steps under applicable state law to determine that the Consumer is responsible for the specific Debt in question.

6.4 **Reporting.** To the extent that a Debt has been credit reported, as part of the regular NCOF credit reporting update process, NCOF shall notify credit reporting agencies within thirty calendar days of either of the following:

- a. Any verbal or written Consumer dispute, including notification by the Consumer that the Consumer is the victim of identity theft and thus not responsible for the Debt; or
- b. Receipt of the results of an investigation as to the accuracy or completeness of information previously reported, including that such Debt has been paid.

6.5 **Notices to Consumers.** Within one-hundred fifty (150) calendar days of and for a period of five (5) years from the Effective Date of this Assurance, NCOF and its owners, officers, directors, agents, employees, salespersons, Representatives, Independent Contractors, Affiliates, and all persons or entities in active concert or participation with NCOF in connection with NCOF's actions as a Debt Collector in the collection of Debts from Consumers shall:

- a. Make the following disclosure clearly and conspicuously on the back or front of each written collection communication issued via automatic print or processing, whether completed in-house at NCOF or by an outside printer vendor, that is sent to a Consumer for the purpose of collecting a Debt:

Federal and State law prohibit certain methods of debt collection and require that we treat you fairly. State residents should view our website at

www.ncogroup.com to review your rights under Federal and State law.

Provision 6.5(a) excludes from this notice requirement only those written collection communications that are drafted and issued in response to a specific Consumer inquiry or are drafted and issued to address specific Consumer needs and are not otherwise based on any type of pre-printed form or template.

- b. Make the following disclosure clearly and conspicuously on NCOF's website, www.ncogroup.com:

Consumers may request orally or in writing details regarding any debt being collected by NCOF, including an itemization of the principal balance owed, including an itemization of all fees, interest, and any other amount charged to the account.

6.6 NCOF shall not be considered to be out of compliance with these compliance procedures in the event any Representative or Independent Contractor misrepresents its activities to NCOF or conceals the true nature of its activities, so long as NCOF can show that it has taken the steps noted in Section VII below to ascertain the truth and discipline the Representatives and Independent Contractors engaged in misrepresentations to NCOF.

VII. COMPLIANCE MONITORING

To the extent they are not already the existing practices, NCOF agrees to adopt and implement the following policies and procedures:

7.1 NCOF shall maintain measures reasonably necessary to ensure that its Representatives, as defined herein, are properly trained and are otherwise performing their duties in compliance with all applicable laws, including, but not limited to, the Kentucky Consumer

Protection Act, KRS 367.110 et seq., the FDCPA, 15 U.S.C. § 1692 et seq., and/or the FCRA, 15 U.S.C. § 1681 et seq. Further, NCOF shall train its Representatives that if a Consumer requests, either orally or in writing, an itemization or “break-out” of the total Debt owed and NCOF does not already possess the information requested, the Representatives shall contact NCOF’s Debt Collection client to obtain that information and, if available, will provide that information to the Consumer. If NCOF is unable to obtain the information from NCOF’s client, NCOF shall instruct its Representatives to consider the account disputed, to close the account, and to cease any and all Debt Collection efforts related to that account. Any settlement agreement previously reached between NCOF and the Consumer pertaining to the referenced account will be considered null and void as it pertains to the now-disputed account and the Consumer will no longer be held to the terms of such agreement. NCOF shall further adhere to its policy of disciplining, up to and including the termination of, Representatives that have not complied with the requirements of this Assurance and/or all applicable laws, including, but not limited to the Kentucky Consumer Protection Act, KRS 367.110 et seq., the FDCPA, 15 U.S.C. § 1692 et seq., and/or the FCRA, 15 U.S.C. § 1681 et seq. NCOF shall maintain all records referenced in this paragraph and shall, within fourteen days of receiving a request from the Signatory Attorney General, produce a copy of all such records.

7.2 When NCOF hires, retains, and/or enters into an agreement with an Independent Contractor, as defined herein, NCOF shall notify and require, through representations and warranties in their contracts with all Independent Contractors, that each Independent Contractor (1) must comply with the Kentucky Consumer Protection Act, KRS 367.110 et seq., the FDCPA, 15 U.S.C. § 1692 et seq., and/or the FCRA, 15 U.S.C. § 1681 et seq., (2) refrain from engaging in the acts and practices described in Section VI, Paragraphs 6.2a-6.2ff, and (3) comply with the

practices set forth in Section VI, Paragraphs 6.3a-6.3j. Further, NCOF shall clearly and conspicuously notify such Independent Contractor that any and all of their Debt Collection acts and/or practices must be consistent with NCOF's policies and procedures consistent with the terms of this Assurance. NCOF shall train and sufficiently monitor Independent Contractors in accordance with the provisions stated herein. Further, NCOF shall train its Independent Contractors that if a Consumer requests, either orally or in writing, an itemization or "break-out" of the total Debt owed, and NCOF does not already possess the information requested, the Independent Contractor shall contact NCOF's Debt Collection client to obtain that information and, if available, will provide that information to the Consumer. If NCOF is unable to obtain the information from NCOF's client, NCOF shall instruct its Independent Contractors to consider the account disputed, to close the account, and to cease any and all Debt Collection efforts related to that account. Any settlement agreement previously reached between NCOF and the Consumer pertaining to the referenced account will be considered null and void as it pertains to the now-disputed account and the Consumer will no longer be held to the terms of such agreement. Should NCOF learn that any Independent Contractor is acting in violation of the law or the requirements of this Assurance, NCOF shall immediately take action to enforce its contractual rights with such Independent Contractor regarding the violations, including as described herein. NCOF shall monitor and enforce its contractual rights, up to and including termination of any Independent Contractor which is in violation of the law, this Assurance, or its contract with NCOF.

7.3 Unless otherwise noted herein, NCOF shall create, to the extent not already existing, and shall adopt and implement written procedures reasonably expected to create

continuing compliance and otherwise comply with any and all terms of this Assurance within thirty calendar days after the Effective Date of this Assurance.

7.4 NCOF shall create, to the extent not already existing, and shall maintain written policies and procedures reasonably necessary to ensure Consumer complaints are quickly responded to and that a good faith effort is made to resolve such complaints in a timely manner. Such policies and procedures shall include, but are not limited to:

- a. Policies and procedures reasonably necessary to ensure that all Consumer complaints are sufficiently documented, with such documentation containing the following minimum information: (1) the name and account number (or other identifying information) of each Consumer; (2) a summary of the Consumer's complaint and action taken by NCOF to resolve the complaint; (3) the name and other sufficient identifying information of the Representative(s) and/or Independent Contractor(s) involved with such complaint; (4) a summary of any actions taken by NCOF with regard to the handling of the complaint by the Representative(s) and/or Independent Contractor(s), including any disciplinary action taken against the Representative(s) and/or Independent Contractor(s). NCOF shall retain all such records and documentation for a period of three years.
- b. Policies and procedures necessary to generally ensure that Consumer complaints to NCOF are answered in a timely manner.
- c. Policies and procedures necessary to generally ensure compliance with validation requests by Consumers. Such policies and procedures may

include any lawful conduct with regards to electing to close accounts and cease related collection efforts.

7.5 NCOF shall maintain copies of all policies and procedures referenced in Paragraph 7.4 of this Assurance and shall, within fourteen calendar days of receiving a request from the Signatory Attorney General, produce a copy of all such policies and procedures.

7.6 For a period of eighteen months starting the Effective Date of this Assurance, NCOF shall monitor twenty-five thousand (25,000) randomly selected Debt Collection phone calls placed by NCOF's Representatives during that time period. NCOF personnel will monitor and evaluate calls for the following:

- a. Whether NCOF's Representatives making Debt Collection phone calls to Consumers beginning with a statement that includes the words: "This call may be monitored or recorded;"
- b. Whether NCOF's Representatives appropriately document the status/disposition associated with the Consumer contacts in the collection system; and
- c. Whether any of the following occurs when NCOF's Representatives make Debt Collection phone calls:
 - (1) Except as permitted by applicable law, disclosure of the existence of a Debt or NCOF's third party Debt Collector status to anyone other than the Consumer;
 - (2) Misrepresenting NCOF's status as a third party Debt Collector, or NCOF's Representatives identifying themselves as anything but a Debt Collector to a Consumer;
 - (3) A Consumer is subjected to profanity, rudeness, or inappropriate

threats;

- (4) The Consumer is contacted at work if the collector knows or has reason to know that the Consumer's employer prohibits the Consumer from receiving such communication at work;
- (5) A message is left for the Consumer at another number other than the Consumer's home or business after the Consumer has already been reached;
- (6) A Consumer has been improperly threatened with potential legal action or wage garnishment;
- (7) All written cease and desist requests were honored; and
- (8) Except as required by applicable law, any voice message for a return call is left, beyond anything other than the collector's name, telephone number, and ID code.

7.7 NCOF shall monitor its Representatives and the calls they make, and its Consumer Debt accounts over a period of eighteen months from the date of this Assurance ("Reporting Period") to ensure that NCOF and its Representatives are complying with relevant laws, policies and procedures, including but not limited to those set forth herein.

7.8 NCOF shall issue a report ("Report") to the Participating States every six months during the Reporting Period, which shall begin on the Effective Date of this Assurance, which shall include the evaluation of NCOF's compliance with this Assurance and the factual basis for said evaluation. In the event the Attorney General receives a third party request for a Report issued by NCOF pursuant to this Assurance, the Attorney General will notify NCOF of the third party request so that NCOF may seek any type of protection afforded under applicable state law, including but not limited to a protective order. The Attorney General commits to provide NCOF

with at least ten calendar days' advance notice before complying with any third party request for a Report, to the extent permitted by state law (and with any required lesser advance notice).

7.9 In the event any Report should show a violation of the law or the requirements of this Assurance, or NCOF should learn any of its Representatives or Independent Contractors are acting in violation of the law or the requirements of this Assurance, NCOF shall immediately take appropriate action relating to its Representatives or Independent Contractors and will enforce its contractual rights with such Independent Contractors regarding the violations, including as described herein. NCOF shall monitor and enforce its contractual rights, up to and including termination of any Representative or Independent Contractor that violates the law, this Assurance, or its contract with NCOF.

7.10 **Retention of Documents.** NCOF shall generate, retain and make readily available to the Participating States for inspection, upon reasonable notice and without the necessity of a subpoena or other legal process, all material records and documents reasonably necessary to document compliance with this Assurance. NCOF shall maintain these records and documents for a minimum of four years after the final Report.

VIII. CONSUMER RESTITUTION

NCOF shall set aside Fifty Thousand Dollars (\$50,000) per each Signatory State to be available for restitution for Consumer redress. For a period of three years from the Effective Date of this Assurance, NCOF shall pay claims for restitution to the Commonwealth of Kentucky, as provided herein, not to exceed a total payment in the amount of Fifty Thousand Dollars (\$50,000). During that time period, the State may submit a claim for restitution to NCOF demonstrating a prima facie showing that, as a result of third party Debt Collection efforts undertaken by NCOF, a Consumer of the state: (1) paid a third party Consumer Debt to NCOF

that was not owed by the Consumer; (2) overpaid interest on a third party Consumer Debt not supported by the underlying agreement between the debtor and the original holder of the Debt or as otherwise permitted by law; or (3) paid an amount on a third party Consumer Debt in excess of an amount NCOF agreed to settle the account. NCOF will refund the Consumer an amount equal to the Consumer's overpayment to NCOF within thirty calendar days of receipt of the State's claim for restitution, unless NCOF provides information within that thirty calendar day period that raises a question of fact regarding the validity of the claim. If such evidence is provided by NCOF, the State will have thirty calendar days to evaluate the validity of the claim. The Commonwealth of Kentucky Attorney General's decision will be final and binding upon the State and NCOF. Nothing in this paragraph limits or restricts the right of a state or of an individual Consumer to seek restitution or pursue any other remedy provided by law, regardless whether the amount set aside under this paragraph has been depleted.

IX. PAYMENT TO THE STATE

9.1 NCOF shall pay Five Hundred Seventy-Five Thousand Dollars (\$575,000.00) to be divided and paid by NCOF directly to the following sixteen Signatory Attorney Generals of the Multistate Working Group in amount to be designated by and in the sole discretion of the Multistate Executive Committee: Alaska, Arkansas, Idaho, Illinois, Iowa, Louisiana, Michigan, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, and Wisconsin.

9.2 Upon the Effective Date of the Ohio Assurance, the Multistate Executive Committee will provide NCOF with instructions for the payments to be distributed under this Section. Said payment shall be paid within thirty calendar days of the Effective Date of this Assurance and shall be used by the Signatory Attorney General for such purposes that may

include, but are not limited to, attorneys' fees, investigative costs, Consumer education, litigation funds, local Consumer aid funds, public protection or Consumer protection purposes or other purposes as allowed by state law at the sole discretion of each Signatory Attorney General.

X. COMPLIANCE PROCESS WITH ASSURANCE

10.1 NCOF shall keep for three years records sufficient to establish its compliance with the terms of this Assurance and shall permit an authorized representative of the Signatory Attorney General within ten calendar days' notice to inspect and/or copy any such records during normal business hours. Such records must be maintained in a secure manner, in compliance with Gramm-Leach-Bliley Act and the laws of the Participating States, to prevent identity theft.

10.2 In the event that any Signatory Attorney General has reason to believe that NCOF has failed to abide by this Assurance, and absent exigent circumstances, the Signatory Attorney General shall give NCOF fifteen calendar days' notice (the "Notice") before filing a motion or other pleading seeking to enforce this Assurance. The Notice shall be in writing and shall set forth those provisions of the Assurance that the Signatory Attorney General believes have been violated. The fifteen calendar day period ("Notice Period") shall provide NCOF an opportunity to respond to the assertions of the Signatory Attorney General and the parties may use the Notice Period to attempt a resolution of the concerns. Within the Notice Period, NCOF shall provide the Signatory Attorney General with a written response containing NCOF's reply to the assertions made in the Notice and the steps that NCOF has taken or will take to resolve the alleged violation(s). The Signatory Attorney General and NCOF agree to attempt to resolve any alleged violation(s) of this Assurance through good faith negotiation prior to the Signatory Attorney General initiating any action for enforcement. This provision does not preclude any Signatory Attorney General from filing an action without complying with this provision if such

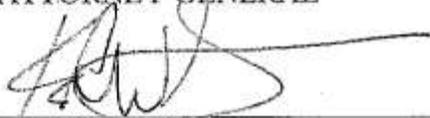
Signatory Attorney General believes such immediate action is necessary to protect Consumers from immediate harm.

10.3 In the event that any Signatory Attorney General initiates legal action or incurs any costs to compel NCOF to abide by this Assurance, upon proof of the violation, NCOF shall be liable to the Signatory Attorney General for any such reasonable costs associated with proving that violation, including, but not limited to, a reasonable sum for attorneys' fees.

10.4 Failure of the Signatory Attorney General to timely enforce any term, condition, or requirement of this Assurance shall not provide, nor be construed to provide, NCOF a defense for noncompliance with any term of this Assurance or any other law, rule, or regulation; nor shall it stop or limit the Signatory Attorney General from later enforcing any term of this Assurance or seeking any other remedy available by law, rule, or regulation.

JOINTLY APPROVED FOR ENTRY AND SUBMITTED BY:

JACK CONWAY,
ATTORNEY GENERAL



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Assistant Attorney General
Kentucky Attorney General's
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2-1-12
Date

Counsel for the Commonwealth of Kentucky Attorney General

FOR NCO FINANCIAL SYSTEMS, INC.

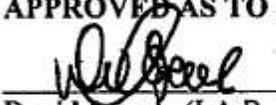


Joshua Gindin
Executive Vice President and General Counsel

1-24-12

Date

APPROVED AS TO FORM:



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1/23/12

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